

Newberrys



Annual Report | 1959

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JOHN E. NELSON
W. PERRY HUKILL
JOHN J. NEWBERRY, JR.
J. EDWARD HAWES
F. STARK NEWBERRY
JAMES V. NEWBERRY
WALTER C. BAKER
ANNA C. NEWBERRY
MELVIN P. VAUGHT
ALICE M. NEWBERRY
MERVIN G. PALLISTER
WALTER C. STRAUS
RAYMOND E. WEBBER

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JAMES V. NEWBERRY, *Vice-President*
JOHN J. NEWBERRY, JR., *Vice-President*
WILLIAM F. TALLY, *Vice-President*
MELVIN P. VAUGHT, *Vice-President*
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ALFRED T. BULL, *Asst. Controller*
HENRY D. VON OESSEN, *Asst. Treasurer*
E. FRANK FOLEY, *Asst. Secretary*

TRANSFER AGENT
CORPORATION TRUST CO., NEW YORK

REGISTRAR
GUARANTY TRUST CO., NEW YORK

AUDITORS
PEAT, MARWICK, MITCHELL & CO.



THE COVER: View taken from the mall of our store in Green Acres Shopping Center, Valley Stream, Long Island, N. Y.

Newberrys

annual report ★ 1959



J. J. NEWBERRY COMPANY

245 FIFTH AVENUE • NEW YORK

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Comparative Highlights

OF THE YEAR'S RESULTS

	1959	1958
SALES	\$238,007,599	\$221,873,189
EARNINGS BEFORE FEDERAL TAXES ON INCOME . .	\$ 11,242,267	\$ 10,806,566
NET EARNINGS AFTER FEDERAL TAXES ON INCOME .	\$ 5,589,740	\$ 5,247,566
TOTAL EARNINGS PER COMMON SHARE	\$3.32	\$3.12
DIVIDENDS PAID PER SHARE—COMMON (after Preferred dividends)	\$2.00	\$2.00
DIVIDENDS PAID PER SHARE—PREFERRED	\$3.75	\$3.75
TOTAL DIVIDENDS PAID	\$ 3,510,630	\$ 3,491,788
TOTAL SALARIES, WAGES AND EMPLOYEE BENEFITS .	\$ 48,935,918	\$ 45,210,603
TAXES PAID—FEDERAL, STATE AND LOCAL (NOT INCLUDING TAXES PAID BY COMPANY FOR SOCIAL SECURITY)	\$ 7,310,991	\$ 7,171,514
TAXES PAID—PER SHARE—COMMON	\$4.66	\$4.60
MERCHANDISE INVENTORIES	\$ 43,945,935	\$ 41,265,759
MERCHANDISE IN TRANSIT	\$ 6,340,141	\$ 5,287,825
NUMBER OF STORES IN OPERATION	462	469
AVERAGE SALES PER STORE	\$ 515,168	\$ 473,077
EARNINGS RETAINED FOR USE IN THE BUSINESS . .	\$ 2,079,110	\$ 1,755,778

To Our Stockholders . . .

Sales and Earnings

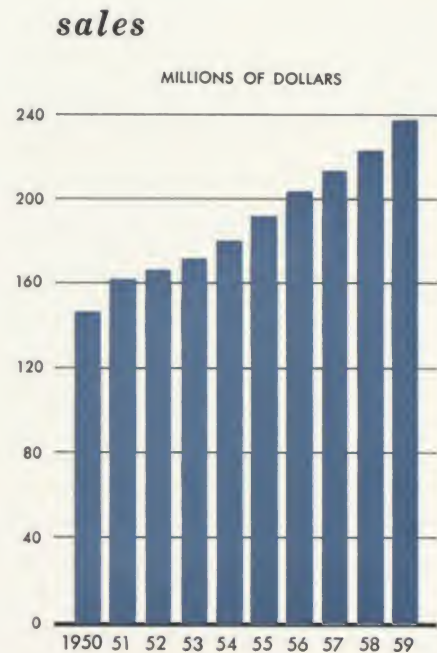
Our 1959 Sales reached a new high of \$238,007,599 compared with 1958 Sales of \$221,873,189, an increase of \$16,134,410.

The Net Profits were \$3.32 per share of Common Stock in 1959 compared with \$3.12 in 1958.

Additional progress was made last year in the way of Net Profits in our new larger size stores. We mention this because part of our program of expansion has been geared to the opening of larger than average size stores for our type of business. We are glad to report that, on the whole, these larger size stores have proven very much worthwhile with excellent prospects for continued growth of the sales on a good profit basis.

In addition to expanding our operations into a much broader range of merchandise as to assortment and price lines than previously carried, enlarging existing stores and opening new stores with sufficient space to display this broader assortment of merchandise, we have been investing rather heavily in the addition and training of personnel to Select, Order, Price, Display and Sell these additional lines of merchandise.

Our objective is to keep in tune with today's increase in average family income by offering merchandise assortments and price ranges that will appeal to the majority of families. At the same time we are endeavoring to do the best possible job of having and selling our more conventional lines of merchandise.





Pictures taken at our Northshore Shopping Center Store, Peabody Mass.



It takes considerable time and money to grade up selling price ranges as this involves new sources of supply for merchandise as well as acquainting our customers with the fact that they can buy these Better Quality and Higher Ticket Items in Newberrys. We believe the experience gained within our Company, combined with our customers' acceptance of our greatly expanded lines of merchandise, will provide increasingly larger sales on an improved profit basis.

Inventories

Total Merchandise Inventories in Stores and Warehouses on December 31, 1959 amounted to \$43,945,935 compared with \$41,265,759 at the beginning of the year. The increase includes the merchandise needed to stock new and enlarged stores, also additional warehouse inventory.

Financial Position

Working Capital at the end of the year was \$50,139,787 compared with \$44,244,613 at the end of 1958, indicating a continuing strong financial position.

Dividends

Dividends amounting to \$2.00 per share were paid on the Common Stock during the year. The Company now has paid 126 consecutive quarterly dividends on Common Stock, the first such dividend having been paid in the year 1928.

Expansion, Modernization and Store Improvements

In previous years' Annual Reports we have emphasized a balanced program of opening new stores and enlarging and mod-

ernizing existing stores. We are continuing that program and our plans call for opening a large number of new stores during the next few years. Leases have been signed or are in process covering the opening of approximately 60 new stores within the next two years ranging in size from 30,000 square feet to more than 100,000 square feet of space.

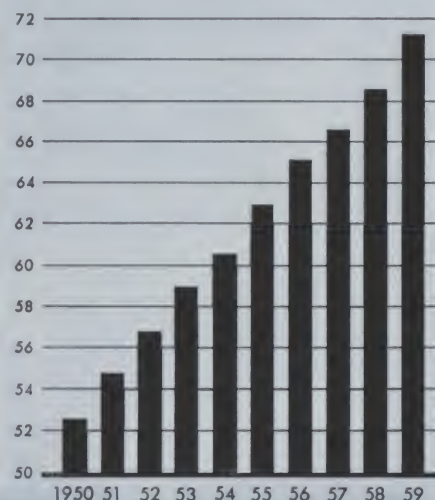
These new stores will average about twice the size of what might be considered typical for new stores in our type of business.

We believe the investment that has been made in expanding our Buying and Supervisory and Store Management Personnel will enable us to operate these larger-than-average stores very successfully and profitably.

In addition to our strong program of opening new stores we will continue to enlarge and improve existing stores. Each

shareholders' equity

MILLIONS OF DOLLARS



Furniture Department in our Green Acres Shopping Center Store, Valley Stream, Long Island, N. Y.



Prestige Cosmetics Department in our Miracle Mile Shopping Center Store, Manhasset, Long Island, N. Y.





Ladies Sportswear Department in our Bergen Mall Shopping Center Store, Paramus, N. J.



Ogdensburg, New York Store before and after enlargement and remodeling.

year we add to the list of towns where the Newberry store is the largest and most modern appearing store in the community, bringing customers the advantage of a much wider selection of merchandise.

We are now operating 191 stores on a Self-Service Customer Check-Out basis with additional stores scheduled to be converted to this type of selling. We are using the principle of Area Cashier and Wrapping Stations in most of our other stores.

With Newberry stores located in 462 communities widely distributed throughout the United States, we have an excellent opportunity to keep planning ahead for store improvements and enlargements based on proven experience in each community. This provides a strong base for profitable expansion.

During 1959 capital expenditures totaled \$7,232,782 for new land and buildings, new fixtures and additional leasehold improvements acquired as a result of the Company's expansion and improvement program. Of this total 1959 capital expenditure, \$870,000 was recovered through the sale of certain of these improved properties. The amounts expended were as follows:

For new land and buildings	\$2,034,276
For new furniture and fixtures	3,601,308
For new leasehold improvements	1,597,198
Total 1959 Capital Expenditures . .	\$7,232,782
Less sales of certain of above improved properties	870,000
Net New 1959 Capital Expenditures	\$6,362,782

New Stores were opened in the following 3 locations:

Tower Plaza Shopping Center, Phoenix, Ariz.

Honer Plaza Shopping Center, Santa Ana, Calif.

Western Plaza Shopping Center, Los Angeles, Calif.



Window Display of Sewing Needs and Yardage in our Northshore Shopping Center Store, Peabody, Mass.

Major alterations were completed in 22 stores as follows:

CALIFORNIA	NEW YORK
Beverly Hills	Cobleskill
Long Beach	Ithaca
Los Angeles (2 stores)	Saranac Lake
Santa Barbara	Ticonderoga
Vallejo	
Van Nuys	OHIO
	Ashland
KENTUCKY	
Elizabethtown	OREGON
Frankfort	Eugene
Mt. Sterling	
MAINE	PENNSYLVANIA
Calais	Chambersburg
MICHIGAN	SOUTH CAROLINA
Iron River	Camden
NEW JERSEY	VIRGINIA
Long Branch	Fredericksburg

In addition to major alteration jobs, fixtures were remodeled in numerous other stores and air-conditioning and new lighting fixtures were installed in several stores.

There were 462 stores in operation at the end of 1959. We closed 10 unprofitable stores during 1959. In addition, 7 of the 462 stores suspended operations at the end of 1959 so that we actually started the year 1960 with 455 stores.

Ladies Dress Department in our Mid Island Shopping Center Store, Hicksville, Long Island, N. Y.



Typical Display of Leather Goods and Staple Variety Store Merchandise in a new Newberry store.



In Memoriam

It is with deep regret that we report the deaths, during 1959, of John H. Ewen, Director and former Vice President and Treasurer of the Company and Joseph E. Howard, Vice President in charge of our Los Angeles Division. Their many years of service and devotion to the Company are well known and they will be missed by their countless friends and associates.

Personnel and Suppliers

During the year 55 more employees completed 20 years of association with our Company, bringing to 784 the number of employees wearing 20 year service award pins. 311 other employees received recognition for 10 years of service, making a total of 2,759 in this group. This makes a total of 3,543 employees with more than 10 years experience in addition to thousands of other competent persons who comprise the Newberry business family. No report would be complete without expressing our appreciation to this business family.

Shoe Department in our Bergen Mall Shopping Center Store, Paramus, N. J.



Our Employee Stock Option Plan, after four years of operation, has enabled 1,702 of our employees to become the owners of 57,503 shares of stock in their Company.

The growth of our business would not be possible without the help and cooperation of our thousands of Suppliers, many of whom have been selling to the Newberry Company for more than 40 years. During recent years, because of enlarging our assortment of merchandise and adding Higher Ticket Items, new Suppliers have been added. We appreciate their interest in helping us develop sales on their lines of merchandise.

Investment in research is considered good business and very necessary in the development of new products. It is also necessary in the development of knowledge, experience and ability on the part of company personnel.

We have been investing quite heavily in this respect and because of the excellent character of Newberry personnel and spirit of teamwork within the Company, we feel justified in being unusually optimistic about the future prospects for larger Sales and Net Profits.

Eastenberg
Chairman of the Board

J. E. Nelson
President

March 10, 1960



Typical appearance of Luncheonette and Cafeteria Departments. Our 1959 sales in Soda Fountains, Luncheonettes, Tea Rooms and Cafeterias exceeded 15 million dollars.

Consolidated Balance Sheet DECEMBER 31, 1959

ASSETS

	1959	1958
CURRENT ASSETS:		
Cash	\$ 12,893,878	\$ 12,115,127
Short-term Government securities, at cost plus accrued interest (approximate market)	5,150,749	3,979,776
Customers' accounts receivable including equity in \$4,041,719 accounts receivable sold with recourse, less provision for doubtful accounts \$35,000	2,752,059	2,091,328
Miscellaneous accounts receivable	1,387,196	775,841
Merchandise, at the lower of cost or market:		
At stores and warehouses	43,945,935	41,265,759
In transit	6,340,141	5,287,825
Total merchandise	50,286,076	46,553,584
Prepaid expenses	1,476,485	1,483,126
TOTAL CURRENT ASSETS	73,946,443	66,998,782
 MISCELLANEOUS INVESTMENTS AND ADVANCES, AT COST	 185,808	 188,740
 PROPERTY AND EQUIPMENT, AT COST (note 1):		
Land, buildings and improvements	9,172,351	12,263,293
Furniture and fixtures	39,533,043	36,387,300
Alterations and improvements to leased properties	19,853,597	22,263,640
	68,558,991	70,914,233
Less provision for depreciation and amortization	27,181,162	25,923,407
TOTAL PROPERTY AND EQUIPMENT (net)	41,377,829	44,990,826
 DEFERRED CHARGES	 1,587,886	 1,902,366
	\$117,097,966	\$114,080,714

See accompanying notes to financial statements.

WITH COMPARATIVE FIGURES

LIABILITIES

	1959	1958
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 18,787,655	\$ 17,816,512
Provision for Federal taxes on income	4,366,240	4,281,676
Dividend payable on preferred stock in February of following year	93,752	93,752
Installments on long-term debt due within one year	559,009	562,229
TOTAL CURRENT LIABILITIES	23,806,656	22,754,169
DEFERRED FEDERAL TAXES ON INCOME	1,370,000	1,008,000
LONG-TERM DEBT, less amounts due within one year classified as current liabilities (note 2)	19,518,987	20,675,900
RESERVE FOR SELF-INSURANCE—fire, burglary and flood	1,020,419	963,784
RESERVE FOR INCENTIVE STOCK BONUS PLAN (note 3)	132,324	—
STOCKHOLDERS' EQUITY (notes 3 and 4):		
Cumulative Preferred Stock, par value \$100 per share:		
Authorized 125,000 shares, issuable in series.		
Issued 100,000 shares, 3¾ % Series (redeemable at \$101.50 per share, plus accrued dividends)	10,000,000	10,000,000
Common Stock, no par value:		
Authorized 2,000,000 shares.		
Issued 1,629,877 shares (1,619,868 shares in 1958)	6,593,222	6,282,522
Subscribed and unissued 10,093 shares (5,677 shares in 1958)	341,164	160,255
Retained earnings (\$8,725,597 free of restrictions pertaining to payment of dividends, etc.)	54,618,156	52,539,046
	71,552,542	68,981,823
Less cost of 59,472 shares of Common Stock in treasury	302,962	302,962
TOTAL STOCKHOLDERS' EQUITY	71,249,580	68,678,861
	<u>\$117,097,966</u>	<u>\$114,080,714</u>

See accompanying notes to financial statements.

Statement of Consolidated Earnings and Retained Earnings

YEAR ENDED DECEMBER 31, 1959 WITH COMPARATIVE FIGURES

	1959	1958
Sales	\$238,007,599	\$221,873,189
Other income	202,942	268,740
	<u>238,210,541</u>	<u>222,141,929</u>
Deduct:		
Cost of merchandise sold and operating expenses . .	218,368,590	203,830,578
Taxes, other than Federal taxes on income	3,449,778	3,017,705
Depreciation and amortization	3,086,897	2,905,046
Interest	1,184,769	1,018,130
Employees' retirement fund expense (note 5) . . .	589,154	477,091
Miscellaneous deductions	289,086	86,813
	<u>226,968,274</u>	<u>211,335,363</u>
Net earnings before Federal taxes on income	11,242,267	10,806,566
Provision for Federal taxes on income, less refund of \$227,473 in 1959	5,652,527	5,559,000
Net earnings for the year (note 3)	<u>5,589,740</u>	<u>5,247,566</u>
Less dividends:		
3¾ % Cumulative Preferred Stock	375,008	375,008
Common Stock—\$2 per share	3,135,622	3,116,780
	<u>3,510,630</u>	<u>3,491,788</u>
Current earnings retained	2,079,110	1,755,778
Add retained earnings from prior years	<u>52,539,046</u>	<u>50,783,268</u>
Retained earnings at end of year (\$8,725,597 free of restrictions pertaining to payment of dividends, etc.)	<u>\$ 54,618,156</u>	<u>\$ 52,539,046</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1959

- During 1959 the company and its subsidiaries sold at a small profit and leased back store buildings and leasehold improvements having a net book value of approximately \$6,840,000; the leases (which are subject to renewal at reduced rentals) have initial periods which are approximately equal to the estimated useful life of the assets.

Minimum annual rentals aggregating approximately \$8,225,000 are payable by the company under leases extending more than five years; 93% of such aggregate amount is payable annually under leases expiring within thirty years.

	1959	1958
2. The detail of the long-term debt is as follows:		
Mortgages payable on real estate	\$ 1,651,635	\$ 2,328,290
2.90% Sinking Fund Notes due August 15, 1968 (sinking fund \$450,000 per annum increasing to \$550,000 in 1963)	7,150,000	7,600,000
3¾% Sinking Fund Notes due May 15, 1976 (sinking fund \$500,000 per annum commencing in 1961)	10,000,000	10,000,000
3⅛% Promissory Notes due in semi-annual installments (presently about \$19,000 per annum) to 1975	717,352	737,421
2½% Promissory Notes payable in monthly installments	—	10,189
Total long-term debt	<u>\$19,518,987</u>	<u>\$20,675,900</u>

- In 1959 the stockholders approved an incentive stock bonus plan, effective for each year in which earnings per share of common stock exceed \$2.60, with benefits payable to certain supervisory and administrative personnel after retirement, disability or death. At the end of each year in which the plan is effective, provision is to be made (net of Federal income tax) for the eventual distribution of benefits. Such provision is based on the shares allotted for the plan and beginning in 1960, dividend-equivalents related to the shares allotted. The number of shares allotted in 1959 was 6,881, the effect of which was to reduce net income (after taxes) by \$132,324. The company has reserved the right to amend or discontinue the plan at any time, but may not retroactively reduce credits to participants.
- Stockholders at a special meeting on January 20, 1956 approved an employees' restricted stock option plan which provides that on February 15 of each year for which it is declared effective, each person in the employ of the company since the beginning of the preceding year is to be granted an option to purchase one share of Common Stock for each full \$300 of his compensation during that year. Options are exercisable prior to December 31 in the year granted at 85% of the fair market value on the date of purchase. Of 100,000 shares of unissued Common Stock reserved for the plan, 48,621 shares were issued prior to December 31, 1959. An additional 10,093 shares subscribed for were not fully paid and remained unissued at December 31, 1959. The number of shares available for 1960, for which the Board of Directors has again declared the plan effective, is 41,286.
- Unfunded past service costs of the Employees' Retirement Plan, which amounted to approximately \$745,000 as of December 31, 1959, are being amortized in annual installments, as permitted by the U. S. Treasury Department. The company expects to continue the plan but has reserved the right to modify or discontinue it at any time. Charges to income for 1959 included \$66,174 in respect to past service benefits.

Accountants Report

The Board of Directors and Stockholders

J. J. NEWBERRY CO.:

We have examined the consolidated balance sheet of J. J. Newberry Co. and subsidiaries as of December 31, 1959 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of J. J. Newberry Co. and subsidiaries at December 31, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.

February 26, 1960

Newberrys

serving 462 communities
from coast to coast



DIVISIONAL STORE OPERATIONS OFFICES

Woburn, Mass. (4 Federal Street)

New York, N. Y. (62 West 45th Street)

St. Louis, Mo. (1221 Locust Street)

Los Angeles, Calif. (314 West 6th Street)

Newberrys record of sales and earnings

Year	Number of Stores	Sales	Earnings per share on Common Stock Outstanding	No. of Shares Common Stock Outstanding
1912	1	\$ 32,383	N O T I N C O R P O R A T E D	
1913	2	42,184		
1914	3	92,640		
1915	5	116,009		
1916	5	151,465		
1917	6	149,466		
1918	7	276,449		
1919	17	502,445		
1920	17	751,984		
1921	26	1,157,234		
1922	33	1,750,066		
1923	51	3,564,947	\$4.68	48,000
1924	68	5,114,339	6.42	48,666
1925	86	6,897,414	8.28	50,200
1926	112	9,985,074	*3.06	206,000
1927	151	15,069,159	3.65	213,200
1928	210	20,609,366	4.62	239,620
1929	279	27,789,369	†3.15	395,314
1930	335	30,187,392	2.22	395,314
1931	379	31,146,802	1.73	385,150
1932	406	33,121,670	1.07	381,324
1933	417	35,146,574	3.06	379,974
1934	431	41,054,218	5.38	380,446
1935	450	43,388,611	4.94	380,446
1936	461	48,376,510	6.03	380,446
1937	469	50,315,454	5.27	380,446
1938	476	49,040,697	4.04	380,446
1939	479	52,272,953	5.44	380,446
1940	486	55,879,580	4.53	380,446
1941	488	64,228,956	6.40	380,446
1942	492	77,313,152	6.70	380,446
1943	491	91,028,763	7.58	380,446
1944	491	95,861,688	7.39	380,446
1945	488	100,868,759	‡1.93	1,521,784
1946	487	113,228,967	4.74	1,521,784
1947	485	117,860,227	4.30	1,521,784
1948	484	134,785,360	4.55	1,521,784
1949	482	136,783,109	3.71	1,521,784
1950	483	145,671,210	4.24	1,521,784
1951	480	161,266,885	3.47	1,521,784
1952	477	166,315,526	3.32	1,521,784
1953	476	171,163,900	3.48	1,521,784
1954	476	179,756,015	2.96	1,521,784
1955	476	190,689,902	3.59	1,521,784
1956	476	203,463,103	3.18	1,530,443
1957	476	212,942,786	2.58	1,547,231
1958	469	221,873,189	3.12	1,560,396
1959	462	238,007,599	3.32	1,570,405

* Stock split-up 4 shares for 1 in 1926.

† Stock split-up 3 shares for 2 and rights to subscribe to 10% of holdings issued May 1st, 1929.

‡ Stock split-up 4 shares for 1 in 1945.

